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INVEST

FOREIGN DIRECT INVESTMENT

Despite the attractiveness of the country due to its petroleum wealth, the size of its national market, and the abundance of natural resources, the flow of foreign direct investment (FDI) towards Venezuela has decreased in recent years due to the country's political and economic instability. According to UNCTAD's [World Investment Report 2023](#), the country recorded FDI inflows worth USD 941 million in 2022, compared to a negative flow of USD 996 million one year earlier. At the end of the same period, the total stock of FDI was estimated at USD 21.94 billion, around 23.6% of the country's GDP. The climate of uncertainty arising from the "Bolivarian" reforms (violation of private property rights, currency control, increasing regulation, nationalizations, etc.), the inefficiency of the port system, and the fall of petroleum prices (accounting for 96% of currency entries) are all obstacles to investment. Venezuela's government balances regional and revolutionary policies, without closing the door to foreign investments, which it is in dire need of. Nevertheless, "Bolivarian" socialism implemented by the government, mostly interventionist, does not allow the flow of FDI to develop and fulfill the country's potential. A 2014 law on foreign investments reduces the statutory rights of foreign investors compared to the previous regime.

While Venezuela possesses the world's largest oil reserves and a strategic geographical location, the country also suffers from the highest inflation rate in the world, endemic corruption, high levels of poverty and violence, economic and political instability, government intervention, and a restrictive legal framework. Additionally, the judiciary is highly politicized and is often influenced by the executive branch, and even though Venezuela's legal system is open to FDI, it is manipulated by the executive branch. For that reason, FDI in Venezuela has been significantly lower in recent years compared to the majority of Latin American nations. Furthermore, numerous multinational companies (including United States' General Mills, General Motors, Kimberly-Clark, Exxon Mobil, Bridgestone Firestone, Kellogg's, United Airlines, and Delta Airlines) left the country in recent years, either selling their assets at a low price or giving them up completely. Around 150 multinational companies maintain their presence, waiting for an upturn. They have interrupted or reduced their production and laid-off workers while continuing to provide them with a minimum wage and, in numerous cases, meals. Venezuela's poor business climate is evident from its ranking in international indexes: it ranks 177th among the 180 economies on the [Corruption Perception Index 2023](#) and 174th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	-456	-996	941
FDI Stock <i>(million USD)</i>	21,935	21,008	21,949
Number of Greenfield Investments*	2	1	1
Value of Greenfield Investments (million USD)	45	5	33

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Venezuela	Latin America & Caribbean	United States	Germany
Index of Transaction Transparency*	3.0	4.1	7.0	5.0
Index of Manager's Responsibility**	2.0	5.2	9.0	5.0
Index of Shareholders' Power***	3.0	6.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN VENEZUELA

Strong Points

Apart from the extremely tense political and social situation, Venezuela's economy can rely on certain strengths:

- Abundant nature reserves, in particular the oil sector. Venezuela has the world's largest oil reserves.
- The announced privatisation of ports and airports, a business opportunity for foreign investors
- The adoption of production assistance policies has given new impetus to the agri-food industry (coffee, tropical fruits, rice, tobacco, cocoa, alcoholic beverages), as well as to the automobile industry and audiovisual production.
- The strategic geographical location between the Caribbean and South America
- A young low-cost labour pool

Weak Points

Development interventionist policies set up by the various governments of the last decades has resulted in a commercial environment that is not attractive to foreign investors. Therefore Venezuela has many obstacles to attracting foreign investors:

- Highest inflation rate in the world (6 500% in 2020 - IMF)
- High risks corruption and a deep-rooted informal sector
- The high unemployment rate, resulting in poverty and violence
- State revenues highly dependent on oil exports (which account for 95% of export profits in 2021, according to *Euler Hermes*)
- The persistent political instability that impedes business confidence
- Political and social insecurity resulting in one of the highest crime rates in the world
- Fast decrease in foreign exchange reserves regardless of exchange controls, leading to shortages, especially of basic commodities.

The country's economic situation is clear: the World Bank's *Doing Business* ranks 188th out of 190 countries ranked for the quality of its business environment.

Government Measures to Motivate or Restrict FDI

Venezuela has adopted Decree 2095 on foreign investment, which is encouraged and protected by a new legal framework. In addition to this, there is a policy supporting manufacturing that is potentially good for exports. The government also gives fiscal bonuses, ranging from tax exemptions to special credit treaties, in order to encourage investment in the so-called "strategic" sectors, or in order to stimulate the establishment of businesses in the country's five least developed states.

The Constitutional Law of Productive Foreign Investment is in place since 2017, this norm aims to regulate everything related to foreign investment in the country and to promote a productive and diversified contribution of foreign origin that participates in the development of the existing productive potential in the country.

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Inter-American Development Bank](#), Tenders in South America
[DgMarket](#), Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

[Venezuelan Council for Investment Promotion](#)

Other Useful Resources

[Venezuela is an investment opportunity today - CONAPRI \(in Spanish\)](#)

Doing Business Guides

[Country Commercial Guide for Venezuela - export.gov](#)
[Doing Business Report Venezuela - World Bank](#)
[Venezuela Tax Guide - Deloitte](#)
[Doing Business in Venezuela - UHY](#)